Private or infringing use? Cigars, cognacs and ball bearings in CJEU's tale of counterfeiting

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On 30 April 2020 (C-772/18), the Court of Justice of the European Union ("CJEU") addressed a contentious issue in trademark enforcement. It discussed the definition of "use in the course of trade", especially as opposed to storing or importing in counterfeit trade. The CJEU examined Article 5(1) and (3)(b), (c) of Directive 2008/95 at the request of a Finnish court. The CJEU's position is in line with the trend of expanding the notion of 'use in the course of trade' and limiting the margin of manoeuvre for counterfeit traders.

The case facts were that a resident of Finland received a consignment from China containing 150 ball bearings for spare parts. Each of these bearings was marked with a counterfeit trademark. The goods were released from customs and the Finnish resident kept them at his home, after which he sent a consignment of the goods to Russia. His only involvement was in the storage of the infringing goods as an intermediary. In return he did not receive money, but payment in kind – cigars and cognacs.

The CJEU assessed four points. Firstly, the CJEU examined whether the condition of trade mark infringement “use in the course of trade” is determined based on objective factors. The infringing goods due to their nature and volume were manifestly not intended for private use. The transaction with those goods thus falls within a trading business. Secondly, the CJEU said that the significance of the economic remuneration for retaining infringing goods was not relevant to determine whether a trade mark was used in the course of trade. Thirdly, importing of trade marked goods may occur although they were not imported at the importer’s request. It is enough that this person provided his or her address to a dealer, retained goods for some weeks on behalf of the dealer, and then shipped them to a country outside the EU with an aim at reselling them. Fourthly, using the identical sign infringes a trade mark right, even when acting as an intermediary in the economic interests of a third party. Based on all this, the CJEU concluded that using a trade mark in the course of trade includes accepting a delivery, and retaining the infringing goods for the benefit of a third party in order to sell them to Russia, even though this is done by an intermediary who is not professionally engaged in trade.

Comment

The term “use in the course of trade” is vague, but plays an essential role in limiting trade mark protection. An infringing use involves acts that may affect trade mark functions. It was long said that the use falls in the scope of trade, if it is in the context of a commercial activity aimed at an economic advantage and not in the private sphere (Arsenal C-206/01, Google C-236/08 to 238/08, UDV C-62/08). In

practice, “use in the course of trade” is assessed in the context in which this use occurs. Assessing the risk of harm to trade mark’s functions must include examining the qualities of the use and more precisely, whether directly or indirectly, the alleged infringer derives any economic advantage. Although this judgment sounds right in terms of fighting against counterfeits, it departs from the CJEU’s earlier interpretation that it must be the infringer himself who uses the trade mark in the trade to qualify his action as infringing or the use must be under the control of a third party or the sign is used in any commercial communication (L’Oreal C-324/09). The alleged infringer must commit an infringing use, this is at least giving instructions for import, export or trans-ship goods. Conversely, to the recent case Coty v. Amazon (C-567/18), this time the CJEU did not take a closer look at whether the individual himself pursued the aim of offering the goods or putting them on the market. Despite that the CJEU rightly challenged the view that uses carried out by private individuals are excluded from an infringing use. After all, uses falling within the private sphere are not carried in the course of trade. An activity does not have to be commercial to fall within “in the course of trade” as long as it affects trade mark functions. Interestingly, this time CJEU did not mention the function theory, but it’s worth bearing in mind a new reference pending under C-133/20, which precisely deals with the function theory and conditions of infringement in terms of exhaustion.